

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
FEBRUARY 16, 1999
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on February 16, 1999 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt, and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey, Allan McDonald, and Thomas Swaik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:25 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

**Issues Concerning Applicants and Licensees
Recommendations of Administrative Law Judges
Investigatory Matters
Personnel Matters
Closed Session Minutes**

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 1:08 p.m.

Board Minutes

Member Vickrey moved **that the Board approve the minutes from the open and closed sessions of the January 19, 1999 regular meeting.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

Chairman Johnson stated that Terry Scrogum, who joined the Board in March 1998, has tendered his resignation, effective February 5, 1999. Terry accepted an appointment from Governor Ryan to join the Governor's staff as the Senior Advisor for Cultural Affairs. The Chairman, on behalf of the Board, thanked Terry for his brief but effective tenure and wished him the best.

The Chairman reported that Hollywood Casino Aurora withdrew its request for initial Board consideration related to changes in the HCC/PMLP relationship.

The Chairman advised owner licensees that with each renewal during 1999 the Board will begin implementing rule 3000.222. The rule, adopted last year, provides for clarification as to the designation of "Key Persons" of a licensee. The Chairman pointed out that several office holders are mandated by the rule as "Key Persons." Other individuals will be subject to Key Person "designation" by the Board.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports for January: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and Internal Control System changes.

The Administrator reported a decline in January AGR of 1.6 percent from year-ago figures. He opined that this was due to the New Year's weekend weather and its aftermath. Daily receipts for the first week of January were down by approximately 20 percent compared to typical daily results.

The Administrator reported that Governor Ryan has issued a new Executive Order, Number Two, which bans all state employees under his jurisdiction from fundraising on behalf of his campaign fund. The order applies to all IGB staff and

Board members. The Administrator recommends that the Board adopt a resolution to implement this requirement under the Policy Section of the Agenda.

The Administrator reported that CJ Graham has resigned his position as General Manager of the Casino Rock Island. Ron Wicks will assume the duties of General Manager on an interim basis. Mr. Wicks requested the withdrawal of Mr. Graham's Form 1.

Owner Licensee Items

PAR-A-DICE GAMING COMPANY ("PGC") – Donna More and Bill Boyd, representing PGC, requested initial consideration for the renewal of PGC's owner's license.

HOLLYWOOD CASINO AURORA ("HCA") and CASINO QUEEN, INC. – Casino Queen, represented by Bill Roberts, requested initial consideration for a waiver of Board rule 3000.510 to permit gaming while an annual maintenance assessment and internal structural exam are completed. HCA, represented by Patt Medchill, requested initial consideration for a waiver of Board rule 3000.510 to permit dockside gaming while preventive maintenance is conducted on both the City of Lights I and II.

EMPRESS CASINO JOLIET ("Empress") – Tim Lambert, representing Empress, requested approval of a waiver of Board rule 3000.510.

Member Browder moved **that the Board approve Empress Casino Joliet's request for a waiver of Board Rule 3000.510 and delegate to the Administrator authority to allow Empress to conduct gaming while remaining dockside for a limited time period while the M/V Empress I undergoes its annual condition assessment.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES, INC. ("SIRCC") – Mike Crider, representing SIRCC, requested approval of a waiver of Board rule 3000.510.

Member Browder moved **that the Board approve Southern Illinois Riverboat Casino Cruise's request for a waiver of Board Rule 3000.510 and delegate to the Administrator authority to allow SIRCC to conduct gaming while remaining dockside for a limited time period while preventive maintenance is being performed on the port main generator of the M/V Players Riverboat Casino II.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

CASINO ROCK ISLAND ("CRI") – Ron Wicks, representing CRI, requested approval of a waiver of Board rule 3000.510.

Member Browder moved **that the Board approve Casino Rock Island's request for a waiver of Board Rule 3000.510 and delegate to the Administrator authority to allow CRI to conduct gaming while remaining dockside for a limited time period while the M/V Casino Rock Island undergoes its annual hull inspection.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

SIRCC – Mike Ficaro, representing SIRCC, requested renewal of its owner's license. Mr. Ficaro introduced Larry Cohen, representing the Board of Directors of PII, who announced the pending sale of Players International, Inc. ("PII") to Jackpot Enterprises, Inc. ("Jackpot"). Mr. Cohen stated that Jackpot is a long time Nevada based operator of casinos and slot machines "routes." He stated that Jackpot has been licensed in Colorado and Mississippi and has an excellent regulatory history. Mr. Cohen reported that Jackpot operates the company very conservatively and its recent balance sheet shows over \$50 million in cash and no long-term debt. Mr. Cohen feels Jackpot is well suited to acquire PII. He stated that Jackpot will pay PII stockholders \$6.75 per share in cash and \$1.50 in Jackpot stock. A definitive agreement has been signed and is subject to financing and regulatory approval in the three jurisdictions where PII does business.

Mr. Cohen addressed the situation resulting from actions in Louisiana against former Governor Edwin Edwards and his son Stephen Edwards and others. PII realizes that the situation raises concerns of how such conduct affects the integrity of gaming in Illinois. Mr. Cohen stated that PII is cooperating with federal authorities and has initiated its own investigation. The PII board has hired Nick Casiello of the law firm Sterns & Weinroth as well as the law firm of Akin & Gump to investigate this matter. The attorneys have been asked to review PII's compliance policy and are looking into the conduct of its former and present senior officers. The attorneys will recommend any appropriate changes to insure the integrity of its licenses.

John Groom, Executive VP and COO of PII, introduced Jeff Pfeiffer, Casino Operations and Marketing Manager; Bernie Hansen, VP of Finance; Jahnae Erpenbach, Director of Marketing and President of the Massac County Chamber of Commerce; and, Mike Crider, VP and General Manager of Players Island Casino.

Mike Crider reported on SIRCC's efforts to address the Board's 1998 renewal requirements. He stated that SIRCC addressed the following regulatory issues: the procedures and documentation of inter-company relationships with its parent company; the Internal Controls that allow the surveillance department to operate independently; and, the credit issues as they relate to issuing and administering credit. Mr. Crider reported that SIRCC has increased admissions by aggressively marketing the Tunica, MS area and has redesigned the casino in order to add additional gaming positions.

Jeff Pfeiffer discussed Players marketing efforts with the advent of the Players Island Casino theme and its impact on the community.

Jahnae Erpenbach discussed the community impact and programs initiated by SIRCC during the 1998 licensure period. Ms. Erpenbach provided information concerning the Players Island Casino Community Involvement Panel. The panel is made up of community civic and business leaders and Players' employees.

Chairman Johnson asked Mr. Cohen what the structure of the board of directors and officers of PII will be after it is acquired by Jackpot. Mr. Cohen stated that Jackpot approves of the current operating management at PII's three sites but will probably appoint their own staff to the corporate positions of CEO and general counsel. Jackpot will also control the Board.

Chairman Johnson stated that 20 percent of the purchase price would be in the form of stock. He asked what percentage of the ownership of Jackpot will be owned by the existing shareholders of Players. Mr. Cohen stated that PII shareholders will have a minority position -- less than 30 percent. In response to Chairman Johnson, Mr. Cohen stated that the total purchase price including assumed debt is around \$400 million.

The Chairman asked what the size of the existing Jackpot stockholder equity is. Mr. Cohen stated the common stock shares of Jackpot are trading around \$9.00 a share, with 7 million shares outstanding. The capitalized value is approximately \$70 million. After the acquisition of PII Jackpot would be valued at about \$500 million.

The Chairman asked when the Jackpot shareholders are scheduled to meet to vote on the acquisition. Mr. Casiello stated it would take 90 to 120 days. He added that Jackpot is required to file all applications with the three regulatory bodies within 60 days of the merger agreement being signed. The document was executed on Monday, February 8, 1999.

In response to Chairman Johnson, Mr. Casiello stated that there are currently four members on the Jackpot board of directors. These four currently own around 40 percent of the company and the other 60 percent is owned by institutional investors and the public at large. Mr. Cohen stated that there are no 10 percent or greater shareholders other than those on the board and that two institutional investors own 5 percent or more. He also indicated that upon the acquisition of PII the Jackpot Board would be expanded and that two directors may be persons nominated by PII shareholders.

Administrator Belletire gave a comprehensive report on the renewal investigation of Players/ SIRCC. He announced a staff investigation of PII to be conducted pursuant to rule 3000.155. He recommended renewal of SIRCC's license, subject to the outcome of the special investigation. A copy of the Administrator's report is attached. (See Attachment A)

Chairman Johnson thanked Mr. Cohen for his forthrightness in coming forward and offering the cooperation of the PII board in the investigation that Gaming Board staff will be undertaking.

Member Pyatt commended SIRCC for their accomplishments during the last year and its improved performance.

Member Pyatt moved:

WHEREAS, Section 7 of the Riverboat Gambling Act ("The Act") authorizes the Board to renew an owners' license annually, provided the licensee continues to meet all of the requirements of the Act and the Board's adopted rules; and

WHEREAS, Southern Illinois Riverboat Casino Cruises, Inc. (SIRCC) is seeking a renewal of its owner's license; and

WHEREAS, the Administrator has commenced a special investigation, pursuant to Board rule 3000.155, regarding the conduct in Louisiana of Players International, Inc. (Players), the ultimate parent/holding company of SIRCC, its chief executive officer and certain other Key Persons of Players and SIRCC; and

WHEREAS, SIRCC's annual licensure renewal is scheduled for this February 16, 1999; and

WHEREAS, the purpose of the above-referenced special investigation is to determine whether Players and other Key Persons of SIRCC can demonstrate their continued suitability in light of their conduct in Louisiana; and

WHEREAS, the Board licensure decision, at this time, is based upon and limited to facts as they are currently known to the Board; and

WHEREAS, in deciding upon SIRCC's licensure as of this date, the Board does not waive or in anyway limit its ability to revoke, not renew or otherwise take action against SIRCC's owner's license due to conclusions reached as a result of the special investigation.

NOW THEREFORE BE IT RESOLVED THAT:

The Board approve SIRCC's application for renewal of its owner's license. This renewal however is conditioned upon and subject to the ability of SIRCC's Key Persons and entities, including Players, Howard Goldberg and others, to be able to demonstrate their continued suitability as owners and Key Persons of SIRCC in light of Players' involvement in Louisiana and the related special investigation being conducted by Staff for the Board.

I further move that the Board designate the following as Key Persons of the licensee:

The officers and members of the Board of Directors of SIRCC;
Players Holding Company and Players International, Inc.
The Chief Executive Officer and General Counsel of Players International, Inc.
All members of the Board of Directors of Players International, Inc.
The trustee of the Griffin Group Trust.

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

EMPRESS, represented by Tim Lambert, requested approval of Donald Crocket as the Director of Table Games and Theodore Grant as the Internal Audit Manager.

Member Browder moved **that the Board approve Donald P. Crocket and Theodore J. Grant as Level 1 Occupational Licensees of Empress Casino Joliet.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

ELGIN RIVERBOAT RESORTS ("ERR") – represented by Donna More, requested approval of John Crawford as the Controller.

Member Vickrey moved **that the Board approve John C. Crawford as a Level 1 Occupational Licensee of Elgin Riverboat Resorts.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Browder moved **that the Board approve 91 applications for an Occupational License, Level 2, and 272 applications for an Occupational License, Level 3, and deny 2 applications for an Occupational License, Level 2 and 4 applications for an Occupational License, Level 3.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Having reviewed the staff's report, Member Vickrey moved **that the Board deny the hearing requests submitted by Charles Strebel and Charles Cole for their failure to comply with the requirements of Board rule 3000.405.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints & Disciplinary Actions

Member Pyatt moved **that the Board issue disciplinary complaints against LaQuisha Jones and Laura Vaughn and revoke their respective licenses.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

REVENUE PARTICIPATION – The Administrator stated that at the January meeting a discussion took place regarding relationships between suppliers and owner licensees that involve revenue participation or leases that have the effect of being revenue participation agreements. The outstanding issue is that suppliers make available a product that is not for sale but for lease on the basis of its potential revenue volume. The Administrator suggested the following proposed rule to address concerns of staff and owner licensees:

No Electronic Gaming Device may be made available to an owner licensee on a lease basis or a revenue participation basis, except to the extent that such Electronic Gaming Device is also available for purchase or lease-purchase to the owner licensee on a commercially reasonable basis.

The Administrator stated that this is a controversial issue and that staff will solicit comments from all interested parties prior to formally proposing this rule.

IGB POLICY RESOLUTION – The Administrator recommends that the Board adopt a resolution to implement the requirement made by Governor Ryan discussed in the Administrator's report.

Member Browder moved:

WHEREAS, Governor Ryan issued Executive Order No. 2 (1999) prohibiting state employees from soliciting financial contributions for the Governor's campaign.

NOW THEREFORE I move that the Board adopt the policies contained in the above-referenced Executive Order. I further move that the Board direct the Administrator to issue to all employees of the Board the personnel policies contained in Executive Order No. 2 (1999). Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

There being no further business to come before the Board, Member Vickrey moved **that the Board stand adjourned.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:29 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board

ATTACHMENT A

**ADMINISTRATOR'S RECOMMENDATION
REGARDING THE RENEWAL OF THE LICENSE
OF SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES**

Members of the Board:

Southern Illinois Riverboat Casino Cruises ("SIRCC") or Players Island-Metropolis, as it is also known, was initially licensed by the Board in February 1993. An initial renewal was granted in 1996 and subsequent one-year renewals were granted in February of each of the last two calendar years.

The licensee filed its latest renewal application in a timely and complete fashion. All required Key Person updates and affidavits have also been filed.

Staff have undertaken a review of the licensee's application. The results of that review have led staff to two conclusions. First, the staff believe that an additional, special investigation must be undertaken to address the role of SIRCC's parent company, Players International, Inc. ("PII") and various Key Persons of SIRCC/PII in highly troubling matters unfolding in the State of Louisiana. Second, in recognition of the legal obligation to make a renewal decision at this time, staff recommend that the Board adopt a renewal conditioned upon the outcome of the aforementioned special investigation.

SIRCC Evaluation

The primary focus of the staff's renewal review is an evaluation of the manner in which the Illinois licensee - SIRCC - has conducted its business. In this regard, the issues surrounding its parent company, PII, are of secondary concern.

In the main, staff find that SIRCC has operated in a manner that warrants renewal. The licensee continues to be financially stable and continues to be a major and positive economic force in Southern Illinois. In 1998, the licensee also completed a range of capital upgrades to its property and operations.

During the past year two separate and major complaint actions were initiated against the licensee. One complaint concerned the failure of the licensee to adhere to its own requirements regarding the proper issuance of credit. The second complaint centered upon a series of incidents involving the surveillance function of the licensee. This latter complaint centered upon incidents, dating back to 1996 and 1997, in which key surveillance officials failed to properly maintain equipment and records, failed to properly communicate with agents of the Board and allowed surveillance direction to be provided by unauthorized management personnel. Even more disconcerting was the fact that corporate officers of SIRCC and PII failed to exercise the required supervision and direction of the surveillance function.

Subsequent to these complaints, SIRCC and PII officials enacted a wide range of changes in the Internal Control System and in company policies and procedures. These changes have resulted in significant improvements in the manner in which credit is documented and authorized and in the functioning of the surveillance system. Your staff believe these improvements have addressed the underlying problems adequately.

In most other regards, SIRCC has operated in an acceptable fashion. SIRCC has addressed each of the licensure conditions imposed by the Board during the 1998 renewal. But for the issues we see involving its parent company, the performance of the licensee warrants renewal of its license.

PII and Louisiana

In November 1998, the U.S. Attorney for the Middle District of Louisiana unveiled grand jury indictments of five persons. The principal defendants in these indictments were former Louisiana Governor Edwin Edwards and his son, Stephen Edwards. Three other persons, including a current Louisiana state senator and two close associates of Edwin Edwards, were also indicted.

The multi-faceted, multi-count indictments allege RICO violations, extortion, mail fraud, wire fraud, money laundering and other charges related to the awarding of riverboat gaming licenses and various forms of improper political influence and payments in Louisiana.

Among the counts in the indictments are a series of actions involving Stephen Edwards and a person by the name of Richard Shetler. The actions of these persons are summarized in the indictment as part of what the U.S. Attorney labels the "Players Scheme," referencing the Louisiana license in Lake Charles, owned by PII.

In brief, the federal indictment alleges Stephen Edwards and Shetler acted to extort monies from Players in exchange for their influence in various matters affecting the licensure of the Players operation. The indictment references payments to Shetler and Edwards that, we independently know, amount to hundreds of thousands of dollars.

In addition to the indictments, Richard Shetler has entered a guilty plea and in a proffer has documented additional details as to his knowledge of and involvement in the "Players Scheme." Further, a former official of Players-Louisiana, a Mr. John Brotherton, has been granted immunity from prosecution in exchange for testimony in the pending case. Mr. Brotherton has also been identified as having made tape recordings of various conversations that have been represented as relevant to the "Players Scheme."

In response to the indictments, Board staff sought and have received from PII various explanations and documents that are relevant to Players' involvement with Messrs. Shetler, Edwards and Brotherton. A preliminary review of these material suggests the need for staff to launch a special investigation to establish additional facts, evidence and conclusions as to whether current or former PII officials and the company itself, have engaged in conduct which, while not necessarily reflective of criminal wrong doing by PII, none-the-less crosses the line of regulatory acceptability. In short, further investigation is required in order to establish whether PII and its principals should be deemed unsuitable for involvement with an Illinois issued license.

As troubling as these Louisiana developments are, it should be pointed that neither PII nor any of its past or present officials have been cited as having committed illegalities or appear targeted for future indictment. That said, PII officials are held to a regulatory standard that has subjective and judgmental considerations that are not simply assessed by whether their actions violate the laws of the United States.

For these reasons, the Administrator is today initiating an investigation pursuant to Board Rule 3000.155. This rule provides for a special investigation to be conducted by staff. Under this rule, the Administrator is authorized not only to compel testimony and the production of documents, but to issue subpoenas for the production of information and to require testimony under oath.

Until this investigation has been completed, it is premature to draw final conclusions as to what regulatory accountability should be placed upon PII and its principals. The necessity to initiate this proceeding speaks to the underlying seriousness of the issues.

The fact that serious issues remain under investigation does not obviate the necessity for the Board to render an annual relicensure decision, based upon the facts as they are known as of the date of the licensure decision.

Though a cloud hangs over PII, fairness dictates that relicensure be authorized conditioned upon further information that emerges from the special investigation.

It should also be noted that PII's recent decision to approve acquisition of the company, and therefore SIRCC, by another entity, serves to offer an action that may positively impact the staff's determinations regarding the developments in Louisiana. Concurrent with the aforementioned special investigation, Board staff will immediately and separately commence a thorough and expeditious review of this proposed acquisition.

In conclusion, staff recommend a renewal of SIRCC's license conditioned upon the outcome of a special investigation and a subsequent determination by the Board that the conclusions of that investigation do not interfere with the continued ownership of SIRCC by PII.

Submitted by

Michael Belletire
February 16, 1999

MABsw/sirccinv